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SUBJECT: U/S JEFFERY MEETS WITH IRAQI FINANCE MINISTER TO DISCUSS THIS YEAR'S PRIORITIES, HYDROCARBONS

Classified By: ECONOMIC COUNSELOR TODD SCHWARTZ for reasons 1.4 b and d

**¶1.** (C) SUMMARY: In a February 26 meeting with U/S for Economic, Energy and Agricultural Affairs Reuben Jeffery and Iraqi Finance Minister Bayan Jabr, Jabr indicated his main goals for 2008 are to secure debt relief from Gulf state debtors, restructure state banks, and further increase budget execution. He touched on the Task Force for Business Stability Operations (TF-BSO) project to develop a Western-style hotel in the International Zone. Jabr also said the Minister of Oil's proposal for technical service agreements (TSA) will only delay hydrocarbons legislation (HCL) and that to resolve the current impasse the Prime Minister and the Presidency Council (PC) should have a low-profile, private meeting and that Tawafuq support was crucial. END SUMMARY

**¶2.** (C) Finance Minister Bayan Jabr discussed his Ministry's priorities for the year during a February 26 meeting with U/S Jeffery. Jabr said he believed the 2008 budget would be signed by the Presidency Council (PC), but noted it was part of a package of three laws that included the recently-vetoed Provincial Powers law. He said the cash carry over from 2007 has been going well, with over "USD 9 billion" in ministerial and provincial bank accounts. He said while the Ministry of Finance (MoF) does not earn interest on this money, he was happy because the funds help with investment and job creation. Jabr also touted the success of the MoF's USD 200 million infusion in 2006 to the Real Estate Bank, which in 2007 resulted in 4,500 houses being built, funded by mortgages from that bank. For 2008 the goal is for the Real Estate Bank to give out mortgages for 10,000 houses to be built (average mortgage is USD 10,000). Jabr's senior advisor Mr. Aziz chimed in that each new house has 100-150 components that needed to be built, creating many jobs.

**¶3.** (C) Jabr then laid out three other major goals for his Ministry this year: 1) gaining debt relief from Iraq's Gulf creditors, which Jabr characterized as particularly difficult politically; 2) restructuring Iraq's two state banks and installing core banking systems; and 3) increasing budget execution by hosting a major workshop to connect international investors and companies with provincial authorities. Jabr believes connecting businessmen with provincial officials is "needed for budget execution".

**¶4.** (C) Jabr seemed especially enthusiastic to update U/S Jeffery on his work with TF-BSO. He said that he had located land for a "Marriot-style" hotel to be built in the International Zone, with the help of TF-BSO. Jabr highlighted his work with TF-BSO to explore a VISA card that would work not just in Iraqi banks, but anywhere in the world.

**¶5.** (C) U/S Jeffery reiterated to Jabr that resolving the HCL impasse is crucial for Iraq to get the most benefit from its

resources and should therefore be a priority for the government. The U/S asked Jabr how he would recommend getting this done. Jabr said he believed a low-profile meeting of all political leaders is what is needed, specifically citing the "Executive Council" as the appropriate body for that. He said he had done this with the KRG Finance Minister for the 2008 budget and gained some major concessions, including the KRG accepting Board of Supreme Audit personnel into its administration and having to open KRG telecommunications space to other companies. Jabr stressed that these negotiations were "done all in a room with no public attention, such as TV cameras." Jabr recommended using the CoR recess period to get a workable HCL draft for the CoR by solving the "Kurdish issues", and to then move forward on the draft as soon as the CoR came into session.

¶6. (C) Jabr was extremely critical of Oil Minister Husayn Shahristani's proposal to begin TSAs in lieu of a new HCL. He strongly believes TSAs will delay the HCL process. He agreed that delay in passing the HCL is detrimental to Iraq's efforts to bring in major international investors to the energy sector. Jabr passed to the U/S an assessment done by MoF experts on Shahristani's TSA proposal, which Embassy has translated and sent to the Department via E-mail.

¶7. (U) This cable was cleared by U/S Jeffery during his visit.  
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